

**Tempe**

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## **Minutes City Council's Finance, Economy & Veterans' Affairs Committee March 18, 2008**

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Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, March 18, 2008, 3:00 p.m., in the 3<sup>rd</sup> Floor Conference Room, Tempe City Hall, 31 E. 5<sup>th</sup> Street, Tempe, Arizona.

**Committee Members Present:**

Vice Mayor Hut Hutson, Chair  
Councilmember Mark Mitchell

**City Staff Present:**

Tom Duensing, Dep Financial Svcs Mgr  
Michael Greene, Central Svcs Admin  
Jerry Hart, Financial Svcs Mgr  
Don Hawkes, Water Utilities Mgr  
Shelley Hearn, Comm Relations Mgr  
Jan Hort, City Clerk  
Glenn Kephart, Pub Wrks Mgr  
Lucy Morales, Sr. Mgmt Asst  
Larry Shobe, Eng. Svcs. Admin  
Lynna Soller, Benefits Admin  
Wendy Springborn-Pitman, Eng Svcs Admin  
Jeff Tamulevich, Commercial Code Comp

**Guests Present:**

Emily Ryan, AMA/Capitol Consulting

***Vice Mayor Hutson called the meeting to order at 3:00 p.m.***

**Agenda Item 1 – Public Appearances**

None.

**Agenda Item 2 – Engineering Fees** 0210-05

Glenn Kephart summarized that Engineering predominantly is the division within the City that provides services. Many of those services are for private development and contractors. In looking at the true cost of providing those services and in comparison with the fee structure in

other cities, staff recommends adjusting the fee structure to more closely capture a larger percentage of our true cost. Staff recommends three areas for fee adjustments:

1. Materials Testing Fee
2. Plat Legal Conformity Review Fee
3. Digital Format Fee for Tempe Standard Details and Specifications

Vice Mayor Hutson asked about #3, and whether the amount of revenue would offset the cost.

Mr. Kephart responded that staff believes it would and would recommend setting the fee schedule to offset costs. It would generate about \$1500 annually. The contractors who buy these documents from the City appreciate being able to get them.

**DIRECTION:** Move forward to Council for consideration.

Jerry Hart added that these fee recommendations came forward to the Ad Hoc Budget and Finance Committee.

Councilmember Mitchell asked if covering the cost would help with the operating budget.

Mr. Kephart responded that #1 and #2 would significantly help with operating costs. Regarding #1, staff has been searching through the years for savings in different line items that cover the additional cost being incurred to do testing for contractors. Public Works had a recommendation to the Ad Hoc Budget committee of about \$750K, and out of that, about \$600K can actually apply to this year's budget in terms of cost reductions and revenue enhancements. Collectively, all of these help.

**Agenda Item 3 – Sign Fees** *0210-05 No Material*

Jeff Tamulevich summarized that in 2005 Council approved allowing all businesses in the City up to 14 calendar days per year to display banners, pendants, streamers, etc., for significant events for a \$107 fee, as well as 30 days for special events. Through comparison with other cities, Tempe's banner program is one of the more lenient in the Valley, although the fee is a little more than average. Mesa and Chandler offer a 30-day use permit for a grand opening, with a fee of \$100, and no significant events after that. Gilbert offers a grand opening permit for 90 days per year and, in addition, one 30-day banner period every quarter for a \$55 fee. Scottsdale has one 30-day grand opening permit for \$26.

Vice Mayor Hutson asked for the definition of a "significant event."

Mr. Tamulevich responded that significant events are events a business can do at any time. They can choose their 14 days throughout the year. Special events are permitted events approved through the Community Special Events Task Force. It must be something outside the realm of a significant event. During those events, businesses can also display banners, etc.

Vice Mayor Hutson asked what Mesa classifies as a "significant event."

Mr. Tamulevich responded that Mesa has a 30-day use permit which can be used for a grand opening, new occupancy, or new management for \$100.

Vice Mayor Hutson suggested increasing the time and increasing the fee, such as increasing from 14 days to 30 days.

Mr. Tamulevich responded that it would be above average.

Vice Mayor Hutson asked about the Phoenix policy.

Mr. Tamulevich responded that Phoenix has a grand opening permit for \$75, and, in addition, they have four special events (which are like Tempe's significant events) per year, with each having a maximum of 8 days per event, which equals another 32 days. They charge \$75 per event.

**DIRECTION:** Add to next agenda and provide written comparison information to Vice Mayor Hutson.

**Agenda Item 4 – Status of Reclaimed Water**     *0811-13 No Material*

Don Hawkes summarized that the Kyrene reclaimed water line is a line to bring reclaimed water from the Kyrene Reclamation Plant on Guadalupe to Tempe Town Lake.

- A route has been selected and all utility conflicts have been identified with a 90% design level.
- 30% design is done on the crossing of U.S. 60, which was the largest obstacle.
- An agreement has been secured with ADOT to allow the line to be put on the existing bridge (up Kyrene and over to Roosevelt).
- ADEQ Permitting
  - About a year ago, a pre-application meeting was held to discuss technical merits and benefits.
    - ADEQ requested a year's worth of water quality data before consideration.
    - On February 14<sup>th</sup>, an application was submitted to ADEQ for AZPDES permit.
  - The existing AZPDES permit needs to be modified to have another discharge point in the Town Lake.
  - It will be a minimum of six months before a decision is made.
  - ADEQ is developing new rules on nutrients in surface water bodies. Nutrients are enemies of surface water bodies and cause algae, etc. Town Lake has not had problems like that in the past and staff doesn't anticipate any.
- The MAG 208 Amendment needs to be processed. First draft is under review and will go to the Water Quality Advisory Commission in April. This amends our MAG 208 permit and our general plan to include Town Lake as a discharge point for the reclaimed water.
- Aquifer Protection Permit goes through ADEQ. A meeting is scheduled tomorrow to determine all of the subsurface geologic testing and sampling necessary to convince them that this project does not have any impact on the aquifer.
- Construction is anticipated to be complete by winter of 2009.

Vice Mayor Hutson asked for the route at Kyrene and Baseline and where it goes after Southern.

Mr. Hawkes responded that from the plant, it goes west on Guadalupe to Kyrene, then Kyrene to Southern, then over to Roosevelt, north on Roosevelt to Hardy at 13<sup>th</sup> Street. They have tried to keep it out of the residential areas.

Vice Mayor Hutson suggested making the jog at Broadway rather than at 13<sup>th</sup> Street and up to Hardy, and then tie into discharge water from UDA. The UDA discharges thousands of gallons of water per day that we could tie into for virtually nothing.

Mr. Hawkes responded that staff would need to work with the UDA to get their own AZDPES permit. He added that part of the process will be public outreach. This reclaimed water is very high quality water.

Vice Mayor Hutson asked if staff is working with Mark Richwine about pumping water out of the Town Lake to the golf course.

Mr. Hawkes responded that staff has been working with Mr. Richwine and that there are a number of potential customers around the Lake, such as Rolling Hills and Karsten golf courses, all of the landscape around the Town Lake, and possibly the Rio Salado Golf Course as well.

Mr. Hart asked whether there would be a difference in cost between jogging at 13<sup>th</sup> Street vs. Broadway.

Mr. Hawkes responded that there would be some additional cost. It depends on the utility conflicts at Broadway.

**Agenda Item 5 – Procurement Ordinance** 0503-41

Jerry Hart summarized that this item will be introduced today and a discussion will be scheduled for the next meeting. Review of the procurement ordinance has been on the work plan for this committee for some time. Last fall, some procurement ordinance changes were placed on the agenda for Council approval, but staff has since identified additional changes. Staff is also awaiting feedback from the City Attorney's Office.

Michael Greene highlighted changes.

- Sec. 26A-1. (b) - change the bidding threshold requiring Council approval from \$30K to \$50K. Comparison to other Valley cities shows that Avondale, Gilbert, Glendale and Peoria are at \$50K. All State agencies are at \$50K and the State Board of Education is proposing a rule change to raise their limit to \$50K. Traditionally, about 120 solicitations over \$30K are issued and with this change, about 10 to 15 solicitations that normally would go to a formal RFP or bid would now be in the informal process. Some efficiencies might be attributed to this change.

He added that most of the remaining changes are language changes. As part of this review, staff reviewed the State procurement code. The State recently updated their model

procurement code. Another reason to update our document is because we recognize that model as our basis.

- Sec. 26A-5 under (d) - added provision that when the City Council meets only once a month, staff would have some award authority for formal procurements over the threshold, with the provision that staff would come back and ratify for approval at the next scheduled meeting. With only one meeting, there could be a significant delay in the ability for the City to approve contracts and continue administratively with operations. It may provide a little advantage to meet customer demands.

Mr. Hart added that this would be used very sparingly and only in a situation where staff felt it was in the best interests of the City from an operational standpoint with the condition that it would have to be subsequently ratified by Council.

Councilmember Mitchell asked if any other cities do that.

Mr. Hart stated that staff will look into other cities' policies for such.

- Sec. 26A-6 (m)(3) (page 14) - Once the recommendation is made to the City Council for review, staff would like to incorporate into our ordinance that we would publish the successful firm's proposal through the City Clerk's Office. Currently, the ordinance states that all of the award information is confidential until after Council's approval, so our practice is inconsistent with our ordinance. This change would make the ordinance consistent with our practice of exposing the successful firm's proposal to the external website prior to Council's approval.

Vice Mayor Hutson asked why we would want to do that.

Mr. Hart responded that it is an issue of fairness because typically the staff recommendation for award of contract is made public a week prior to the Council meeting. Besides the Staff Summary Report, the actual contract containing the recommended vendor's response to the RFP is also attached. We are just disclosing everything to the public. It's only fair that we keep all the information for the other respondents confidential until after the Council makes the award, at which time all of the other vendors' information becomes available to the public. It is just to make the ordinance consistent with our open meeting agenda practices.

Vice Mayor Hutson clarified that the winning bidder is not exposed until after the Council makes its decision.

Mr. Hart clarified that the winning bidder is exposed a week before the actual Council action through the formal council agenda posting.

Vice Mayor Hutson asked if this is the same problem that occurred with our towing contract. We expose the winning bidder so everyone gets it ahead of time. If Council changes its mind and doesn't award that bid, that information is already out there. Isn't that what this does?

Mr. Greene responded that if staff does present a recommendation to Council and it is rejected, then we have also added language that it would expose everyone else's proposal as well. In the event it is rejected and we had exposed the successful bidder's proposal, then everyone would get exposed. If the award is approved, only that winner's proposal would be exposed, and after the award, everyone else can come in and look at the documentation.

Mr. Hart added that one complaint is that someone is being recommended for an award and the entire bid is being exposed for all competitors to see, and if they don't get the bid, then they also get access to the other respondents. That is what happened with the towing contract. We are trying to create a level playing field.

Jan Hort suggested not specifying "published to the City's external web site five (5) days prior to Council review" but rather specifying "up to five days" because revisions can be made to the agenda up to 24 hours prior to the Council meeting.

Vice Mayor Hutson asked why we have to do this.

Ms. Hort responded that we do it because of open meeting laws involving disclosure to the public for transparency in government. Though a case by case basis could be looked at by the Attorneys as to whether to reframe from disclosing contract information which may give competitors an unfair advantage on the formal council agenda, she believed staff was trying to standardize their procedures.

Mr. Hart added that staff will be meeting with the attorneys again on these proposed changes to make sure they don't have any issues. Ultimately, the object is to make sure that we don't prejudice one vendor over another.

- Sec. 26A-21 (a) – Staff is recommending a change to correct an inconsistency and eliminate some language. Currently, the ordinance states that once we publish the document on the web site five days before the Council meeting, then a vendor can protest. In effect, the vendor would have no information to base that protest on because in order to do so, they would have to look at the evaluation information which is confidential until after award. Staff recommends striking that language, and also adding (d)(4) which states that a protest concerning awards shall be filed within ten business days after the contract has been awarded by City Council.
- Sec. 26A-52 (c) and (e) – Staff requests a change to allow sworn police officers to purchase their duty gun for \$1 upon retirement.

#### **Agenda Item 6 – OPEB Update** 0208

Jerry Hart presented the updated actuarial reports on the retiree healthcare program.

Tom Duensing summarized that this study is required to be done every two years. The report is broken into two parts. The first part contains the required information to be disclosed in the City's June 30, 2008, financial statements. The second part includes the options put forward by

staff to serve as a basis for discussion. Part of the direction of this committee was to convene an Ad Hoc OPEB Committee consisting of the employee groups. Staff would also like to use an independent facilitator to assist in the process.

Mr. Duensing continued that the number projected a couple of years ago if advance-funded was \$19M or \$20M. That is comparable to this report in that the amount is now about \$23M. The increase is because there are more plan participants compared to two years ago. That has since ceased with the adoption of the new defined contribution plan for those hired July 1, 2007, and subsequent. The other reason is that two years ago, the actuary projected health increases each year. Over those two years, Tempe has not seen a decrease in those costs, so we are starting at a higher base for this report. These are the first reports that have been distributed and staff will provide them to the remaining councilmembers.

Vice Mayor Hutson asked if an Ad Hoc OPEB Committee has been discussed with the City Manager. This is very sensitive and he needs to be in concurrence.

Mr. Hart responded that it has, and staff meets on a periodic basis with the City Manager; he is aware of the recommended process.

Mr. Duensing added that staff will return to the next FEVA meeting to answer questions.

Vice Mayor Hutson asked how members will be selected for the ad hoc committee.

Mr. Duensing responded that staff has had discussions with the five employee groups and they will give their recommendations. His understanding is that it will be the presidents of the unions who will represent their groups.

Vice Mayor Hutson asked who served on the Phoenix benefits committee besides their unions.


Mr. Duensing responded that they had a facilitator, but he wasn't sure who else serve.

**Agenda Item 7 – Future Agenda Items**

- OPEB
- Procurement Ordinance
- Significant Event sign Fee Analysis
- Solid Waste/Water Fees (in May)

***Meeting adjourned at 4:00 p.m.***

Prepared by: Connie Krosschell  
Reviewed by: Jerry Hart

  
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Jan Hort, City Clerk